

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 SP-02 USIA-06 AID-05 EB-07 NSC-05
EPG-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00
COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03
LAB-04 SIL-01 L-03 H-01 PA-01 PRS-01 IGA-02
EUR-12 /099 W
-----031353Z 109581 /43

R 031133Z MAY 77
FM AMEMBASSY TEHRAN
TO SECSTATE WASHDC 2372

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E.O. 11652: N/A
TAGS: EFIN IR
SUBJ: CLARIFICATION OF IRAN'S DE FACTO FOREIGN EXCHANGE PRO-
CEDURES

REF: (A) TEHRAN A-61, (B) TEHRAN 3423

1. THE EMB REPORTED BY REF B THE CENTRAL BANK OF IRAN'S
(CBI) RECENT RESPONSE TO PERSISTENT DEVALUATION RUMORS. THE
EMB WAS INFORMED IN MID-APRIL THAT IN ORDER TO IMPROVE
CONFIDENCE IN THE RIAL THE CBI LIFTED DE FACTO FOREIGN
EXCHANGE CONTROLS BY WHICH LARGE, NON-COMMERCIAL TRANSFERS
WERE DELAYED OR REQUIRED TO REMIT IN INCREMENTS. THE
DIR OF THE FOREIGN EXCHANGE DEPT CONFIRMED TO
EMBOFF THAT TO THE CONTRARY, THE CBI IS BY VERBAL INSTRUCTION
REQUIRING THAT BANKS RECEIVING REQUESTS FOR "SIGNIFICANT"
TRANSFERS BE REFERRED TO THE CENTRAL BANK'S FOREIGN EXCHANGE
DEPT FOR APPROVAL. NO MINIMUM SIZE OF TRANSFER REQUIRE-
ING CBI APPROVAL WAS IDENTIFIED, BUT THE MINIMUM EXCEEDS
\$10,000. WHEN ASKED TO EXPLAIN THIS NEW PROCEDURE, THE DIR OF
THE FOREIGN EXCHANGE DEPT INFORMED EMBOFF THAT THE
CLIENT OR, AS THE CASE MAY BE, THE CLIENT'S BANK, SHOULD
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ADDRESS A LETTER TO THE FOREIGN EXCHANGE DEPT
REQUESTING AUTHORITY TO TRANSFER THE AMOUNT SPECIFIED
AND RELATE IT TO SERVICES PERFORMED RELATIVE TO A
CONTRACT OR, AS IN THE CASE OF AN AIRLINE OR ACCOUNTING
FIRM, ITS OPERATING PERMISSION; IF BASED ON A CONTRACT,
A COPY SHOULD BE ATTACHED. IF THE REMISSION IS OF A
TYPE THAT WAS NORMALLY PROVIDED BY COMMERCIAL BANK

THROUGH THE NON-COMMERCIAL FOREIGN EXCHANGE MARKET, THIS SHOULD BE MENTIONED IN THE LETTER. THE CBI OFFICIAL SAID THAT FOR THE PRESENT SUCH REQUESTS WILL BE HANDLED ON A ONE DAY SERVICE BASIS AND WITHOUT ANY DIFFICULTY. BUT, HE SAID IT WAS THE INTENTION ON THE PART OF THE CBI TO TIGHTEN UP ALL NON-COMMERCIAL/MERCHANDISE PAYMENTS SO THAT IRAN'S FOREIGN EXCHANGE OUTFLOWS WILL BE BETTER RECORDED. HE MENTIONED \$10,000 AS A POSSIBLE MAXIMUM CAPITAL EXPATRIATION LIMIT WITHOUT CBI APPROVAL. THE CBI OFFICIAL MENTIONED THAT IRAN WAS IN A SMALL CATEGORY OF NATIONS PERMITTING SUCH A FREE OUTFLOW OF FUNDS AND COULD NOT PERMIT SUCH LARGE, UNRECORDED FLOWS TO CONTINUE. GENERALLY SPEAKING, THE DESIRE IS TO PUT ITS FOREIGN EXCHANGE PROCEDURES ON A PAR WITH EUROPEAN COUNTRIES.

2. COMMENT: THE CBI OFFICIAL CONFIRMED THAT WHAT IS BEING REQUIRED IS NOT IN WRITING AND HE AGREED THAT A WRITTEN INSTRUCTION WOULD BE PREFERABLE SO AS TO REMOVE ANY QUESTION OF ARBITRARINESS. WHAT EXISTS IS APPARENTLY THE BEST HE HAS BEEN ABLE TO SECURE FROM CBI GOVERNOR MEHRAN. EMB IS AWARE THAT THE FOREIGN EXCHANGE DEPT HAS FOR OVER A YEAR ADVOCATED A TIGHTER MONITORING OF FOREIGN EXCHANGE AND CBI SALE OF FOREIGN EXCHANGE THROUGH TWO MARKETS: THE COMMERCIAL MARKET AS IS NOW DONE AND A NON-COMMERCIAL MARKET WHICH, WAS UNTIL THIS RECENT DEVELOPMENT WAS UNCONTROLLED. THE LATTER COULD INVOLVE A SERVICE FEE OF SAY 4 PERCENT, BUT THAT IDEA MAY BE REJECTED. WHILE THE BANKING SYSTEM IS BEING "JAW-BONED" TO COMPLY WITH THIS CURRENT REQUIREMENT, IT IS CLEAR THAT LIMITED OFFICIAL USE

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A COMMERCIAL BANK CAN LEGALLY PRESERVE FOR ITS CLIENTS WHO WISH TO TRANSFER FUNDS OUT OF THE COUNTRY ANONYMOUSLY THOSE FUNDS IT HAS IN ITS POSSESSION. THUS, THOSE CLIENTS WHO HAVE AN EASY CASE FOR TRANSFER OF FUNDS PURSUANT TO, FOR EXAMPLE, A CONTRACT WITH THE GOI WILL BE THOSE REFERRED TO THE CENTRAL BANK.
MIKLOS

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Message Attributes

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Current Classification: UNCLASSIFIED
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Control Number: n/a
Copy: SINGLE
Sent Date: 03-May-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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TAGS: EFIN, IR
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